

Message Text

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ACTION L-02

INFO OCT-01 ARA-06 ISO-00 CIAE-00 INR-05 NSAE-00 RSC-01

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 8938

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E. O. 11652: N/A

TAGS: ETEL, EINV, AR

SUBJ: ITT/STANDARD ELECTRIC

REF: BA 8202

1. BEGIN SUMMARY: FOLLOWING MEETING NOV 20 WITH RECENTLY APPOINTED SECRETARY OF COMMUNICATIONS HUGO GUILLAMON, STANDARD ELECTRICS MANAGING DIRECTOR RICARDO GABRIELLONI ADVISED EMBOFF HE ENCOURAGE BY NEW ECONOMIC TEAMS ATTITUDE TOWARD STANDARDS PROBLEMS AND HOPEFUL THAT COMPANY WILL RECEIVE FAIR TREATMENT, WITH SETTLEMENT POSSIBLE BY MID-JANUARY. GOA APPARETNLY BELIEVES IT COMMITTED POLITICALLY TO TAKE MAJORITY SHARE IN COMPANY, BUT CLAIMS IT WANTS ITT TO RETAIN REMAINDER AND WOULD NOT MAKE CHANGES IN STANDARDS MANAGEMENT OR OPERATIONS. END SUMMARY.

2. GABRIELLONI REPORTED THAT GUILLAMON PERSONALLY BELIEVES GOVERNMENT SHOULD HOLD 51 PERCENT OWNERSHIP, BUT THAT CONTROL SHOULD NOT BE PLACED IN HANDS OF ENTEL (STATE TELEPHONE COMPANY) WHICH ALREADY HAS TOO MANY PROBLEMS OF ITS OWN. INSTEAD, GOVERNMENT SHARES WOULD BE DISTRIBUTED AMONG VARIOUS GOA AGENCIES, WHICH COULD INCLUDE ENTEL ALONG WITH FABRICA-

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CIONES MILITARES, BANCO NACIONAL DE DESAROLLO, OR THERS.

FROM OTHER SOURCES GABRIELLONI UNDERSTANDS THAT ECON MIN GOMEZ MORALES BELIEVES 25 TO 30 PERCENT GOA PARTICIPATION WOULD BE SUFFICIENT TO EXERCISE EFFECTIVE CONTROL, BUT CONSIDERS GOVERNMENT POLITICALLY COMMITTED TO TAKE MAJORITY INTEREST. BOTH GOMEZ MORALES AND GUILLAMON APPEAR TO WANT ITT TO RETAIN ACTIVE PARTICIPATION INSTANDARD, WHICH WOULD CONTINUE TO USE ITT TECHNOLOGY, AND GUILLAMON SAID THERE WOULD BE NO CHANGES IN STANDARDS PRESENT MANAGEMENT, WHICH WOULD CONTINUE TO CONTROL FACTORY.

3. GUILLAMON SAID TWO DECREES HAVE BEEN PRESENTED TO PRESIDENT FOR SIGNATURE. ECON TEAM TO MEET WITH PRESIDENT NOV 22, AT WHICH TIME THESE DECREES MAY BE APPROVED. FIRST DECREE WOULD ESTABLISH COMMISSION TO BEGIN NEGOTIATIONS WITH STANDARD TO DETERMINE PRICE GOA WOULD PAY FOR ITS SHARE OF COMPANY'S ASSETS. THIS PROCEDURE COULD BEGIN NEXT WEEK. ON THIS POINT, GABRIELLONI SAYS HE ADVISED SECRETARY GUILLAMON THAT FIRST ORDER OF BUSINESS IN SUCH NEGOTIATIONS WOULD BE DETERMINATION OF AMOUNT DUE STANDARD UNDER EXISTING CONTRACTS WITH ENTEL, AND THAT SECRETARY APPEARED TO ACCEPT THIS. SECRETARY GAVE ASSURANCE THAT COMMISSION WOULD NOT RELY ON REPORTS PREPARED BY CONGRESSIONAL INVESTIGATING COMMITTEE IN JUNE WHICH ALLEGED LARGE OVERCHARGES BY STANDARD UNDER CONTRACT.

4. SECOND DECREE WOULD AUTHORIZE IMMEDIATE PAYMENT TO STANDARD OF US 2.5 MILLION OF ENTEL DEBT. GABRIELLONI SAYS HE HAS MANAGED TO BORROW FUNDS LOCALLY TO MEET PAYROLLS THROUGH MID-NOVEMBER, AND THIS \$2.5 MILLION WOULD COVER REPAYMENT THESE FUNDS AND WOULD MEET PAYROLLS DUE THROUGH MID-DECEMBER.

5. BASED ON MEETING WITH GUILLAMON AND INFORMATION FROM OTHER SOURCES, GABRIELLONI BELIEVES GOMEZ MORALES WANTS TO REACH SETTLEMENT WITH STANDARD BEFORE MID-JANUARY, WHEN HE REPORTEDLY PLANNING TO VISIT US. GABRIELLONI TRAVELING TO NEW YORK NOV 22-24 TO PERSONNALLY ADVISE ITT EXECUTIVES OF MEETINGS. HE SAID ITT SENIOR OFFICIALS STILL SEEKING MEETING WITH GOMEZ MORALES, BUT HAVE NO IMMEDIATE PROSPECTS FOR SUCH MEETING.

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